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## **Socialist Studies No 79, Spring 2011**

# **Capitalism's Not Fair**

During the past year, all the capitalist political parties and the trade unions have been talking about “*fairness*” and the need to create a “*fair society*”.

In his speech to the Conservative Party Conference in October 2010, the Prime Minister, David Cameron, said:

*Fairness means giving people what they deserve – and what people deserve depends on how they behave* (DAILY TELEGRAPH 6th October 2010).

Not to be outdone, the TUC General Secretary, Brendon Barber, in response to the coalition’s spending cuts said:

*The Prime Minister says that cuts will affect every single person in our country, but deficit reduction through cuts alone will inevitably hit the poor, the vulnerable and the great mass of middle income Britain who depend on public services. Those at the top will hardly notice. At the same time he is hinting at a retreat on modest measures to reform capital gains tax that asks the better-off to make some small contribution. It is hard to see any fairness agenda here (loc cit).*

The BBC also ran on its news web site an article asking viewers to comment on what constitutes the “*fair society*”. It amounted to a complete waste of time. Each contribution gave a different definition of “*fairness*”. Many complained of the high salaries earned by other workers. No one offered a critical examination of capitalism and why it could never be “*fair*”. And no one bothered to discuss the wealth, power and privilege of the capitalist class, as though they were invisible.

Capitalism can never be “*fair*”. In fact “*fairness*” is a sentiment socialists do not use in our political vocabulary. In a system of commodity production for exchange and profit the great majority always find it hard to make ends meet. Only the capitalist class get the best on offer. They own the means of production.

Capitalism cannot be reformed to make it function in the interests of all society. There can never be a fair distribution of wealth under the profit system. The continuous failure of past Labour Governments has shown this to be true.

The demand for “*fairness*” and “*social justice*” is not new. The misguided pursuit of “*fairness*” was known to Marx in the 19th century when he criticised the German Social Democratic Party for demanding “*a fair distribution of wealth*”.

Marx wrote:

*Do not the bourgeois assert that the present-day distribution is "fair"? And is it not, in fact, the only "fair" distribution on the basis of the present-day mode of production? Are economic relations regulated by legal conceptions, or do not, on the contrary, legal relations arise out of economic ones?* (CRITIQUE OF THE GOTHA PROGRAMME Marx/Engels Selected Works, Volume Three, p. 13-30; 1970).

In short, you cannot have equitable distribution of social wealth based upon the private ownership of the means of production. Marx went on to say that all the “*socialist sects*” of his day had their own conception of “*fairness*”.

The problem arises out of the use of the word “*fair*”. In VALUE, PRICE AND PROFIT Marx described “*a fair day's wage*” as a “*conservative*” dogma used to justify the wages system. Instead, he urged the working class to “*abolish the wages system*”.

The political use of the word “*fair*” is taken to mean the pursuit of some moral standard by which society should be governed. However, no such eternal principle exists. “*Fairness*” as a universal yardstick is a fiction particularly in relation to wages and distribution. Cameron has his own idea of “*fairness*” so has Mr Barber, so does the BBC and so, too, do all those who took part in the debate.

Capitalism is a class-divided society. The profit system is based upon the private ownership of the means of production and class exploitation. As a result, the capitalist class live a life of privilege and comfort through the unearned income of rent, interest and profit. Yet the exploitation inherent in the wages system is ignored by the majority of workers and trade unionists who erroneously believe that capitalism can be reformed to behave in a “*fair way*” It cannot.

Engels asked an important question about the “*fairness*” of wages. Just where does this “*fairness*” come from? And he answered this question as follows:

*But let us inquire out of what fund does Capital pay these very fair wages? Out of capital, of course. But capital produces no value. Labour is, besides the earth, the only source of wealth; capital itself is nothing but the stored-up produce of labour. So that the wages of Labour are paid out of labour, and the working man is paid out of his own produce. According to what we may call common fairness, the wages of the labourer ought to consist in the produce of his labour. But that would not be fair according to political economy. On the contrary, the produce of the workman's labour goes to the Capitalist, and the workman gets out of it no more than the bare necessities of life. And thus the end of this uncommonly "fair" race of competition is that the produce of the labour of those who do work, gets unavoidably accumulated in the hands of those that do not work, and becomes in their hands the most powerful means to enslave the very men who produced it (Fair Day's Pay for a Fair Day's Work, THE LABOUR STANDARD 1881 ([Marxist.org/archive/Marx](http://Marxist.org/archive/Marx); No. 1, May 7, 1881, published as a leading article)).*

Instead of pursuing abstract moral concepts like “*fairness*” or “*social justice*”, the working class should understand that their restricted consumption and poverty is based on the enforced rationing and exploitative nature of the wages system. Workers receive wages and salaries according to the subsistence level necessary to reproduce themselves and their families as an exploited class. Capitalism can never produce to its full capacity. It acts as a “*fetter*” or constraint on production. It exists to make profit and expand capital for the benefit of a minority in society.

Socialism, on the other hand, would release the forces of production from the impediment imposed upon production by capitalist class relations. Abundance would be attained to ensure that good housing, food, transport, education and so on is produced for all of society throughout the world. Instead of the conservatism of “*fairness*”, people would work within the humane framework of Socialism with its dictum “*from each according to ability, to each according to need*”.

## THE LIMITATION OF TRADE UNIONS

Strikes in recent years have demonstrated how workers who are not directly concerned with production, e.g. firemen, hospital workers, dustmen, teachers, social workers and postmen, find they are handicapped in their militant action

by their indirect connection with the productive process. Although their strikes can cause great public inconvenience, it is the effect on trade and profit that ultimately determines the length of a strike and the success of the strike weapon.

The authorities – who are relieved of the need to pay wages to the strikers – will often be prepared to resist indefinitely, while they use all the propaganda channels available to stir up public hostility against the strikers. Another disadvantage for many service workers is that the nature of their job often makes it a practical possibility for the government to use troops for strike-breaking.

While it is capitalism itself which limits what trade union action can achieve, some loss of effectiveness also arises from the way in which, historically, unions have come to be organised. Often workers employed by a particular company and the workers in an industry are organised on occupational lines, in separate unions. This has the result that wage claims and strikes can fail to make maximum impact because not all the unions are involved in the action.

It also sometimes happens that different unions are competing to recruit the same workers so that some strikes are not directly against the employer but to settle demarcation disputes between unions. Each of the more than 200 unions is organised to promote the interests of its own members only, and it is only on rare occasions that union action gives regard to the common interest of the working class against employers.

What, then can be said about the potentialities and limitations of trade union action? Something Marx wrote about it is as true now as it was a hundred years ago:

*“The working class ought not to exaggerate to themselves the ultimate working of these everyday struggles. They ought not to forget that they are fighting with effects...that they are applying palliatives, not curing the malady”*  
(From: TRADE UNIONS chap. 3. The Limitations of Trade Unions, SPGB, 1980, p15)

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## From Crosland to Miliband

Ed Miliband acknowledged , in a lecture “*Why Does Ideology Matter?*”, given in 2006 at a Fabian conference on the 50th anniversary of the publication of THE FUTURE OF SOCIALISM by Anthony Crosland, that:

*...in the household in which [we were] brought up, Crosland and his ideas were not popular - his critique of Marxism, his views on public ownership...*

Ed Miliband then went on to praise Crosland for his relevance to the problems now facing the Labour Party. Ed Miliband is now considered by some of his supporters as the inheritor of Crosland’s ideas. Crosland believed that successive Labour governments had tamed the worst excesses of capitalism to the point that the profit system did not exist in the form Marx had previously studied. Crosland also thought that by the enactment of the right social reforms by enlightened politicians, capitalism could be made to work in the interest of all society. And he accepted that Keynes had solved the problems of crises and trade depressions.

David Miliband, who lost out as leader of the Labour Party to his brother, also admired Crosland’s ideas on social reformism. Both brothers rejected the political influence of their father, the late Professor Ralph Miliband. Miliband was a one-time “*leading intellectual of the New Left and influential figure in shaping student and other attitudes*” (book review on the inside cover of THE STATE IN CAPITALIST SOCIETY, 1969). Professor Miliband naively believed the Labour Party could become a Socialist organisation. He was also an enthusiastic proponent for the failed policy of nationalisation or state capitalism. To flourish in Blair’s New Labour party, the brothers had to commit political patricide.

## The future of Socialism is not through the Labour Party

Why should Anthony Crosland be so influential after so many years? During the 1950s and 1960s, Crosland set out to turn the Labour Party away from its traditional Clause 4 goal of state capitalism towards the “*the dynamism of the market and the rigour of competition*”. He set out his arguments in a number of books, the most influential being THE FUTURE OF SOCIALISM, published in 1956 and reprinted 50 years later. Crosland’s argument was that capitalism had changed beyond all recognition since Marx’s day. In effect, Crosland’s book was an attack on Marx’s criticism of capitalism. Marx’s revolutionary critique of capitalism, particularly in CAPITAL, had always proved an insurmountable barrier to the politics of reformism. Marx showed that capitalism could only be run in the interests of the capitalist class. This led Crosland to erroneously write that:

*Marx has little or nothing to offer the contemporary Socialist, either in respect of practical policy, or of the correct analysis of our society, or even the right conceptual tools or framework* (p. 20).

Crosland claimed that Marx had held a number of fallacious theories which included a theory of ever increasing misery of the working class and a collapse theory of capitalism. Crosland argued that, since 1945, real wages had risen and that there had been full employment. So where, in Marx’s writings, do we find the impoverishment of the working class and the collapse of capitalism?

## “Increasing Misery”

Marx held that wages fluctuate about the subsistence level of the worker. However, Marx repudiated the theory known as the “*Iron Law of Wages*”. Marx regarded the determination of the value of labour-power as including a historical and moral element which would vary from country to country and over time. He also stated in VALUE, PRICE AND PROFIT that trade unions could obtain higher wages and better working conditions in periods of good trade when profits were rising.

Marx did not state that wages were bound to fall and force the workers into some absolute poverty any more than he held that capitalism would collapse. In CAPITAL VOLUME, Marx discussed at some length the “*accumulation of misery*” that befell the worker and his family under capitalism. He listed numerous examples, mostly to do with poverty and the alienation of work under capitalism. Marx’s view on the consequences of capital accumulation was that: *In proportion as capital accumulates, the lot of the labourer, be his payment high or low, must grow worse* (CAPITAL VOLUME 1, Ch. XXV, p.645).

In the above passage Marx was not talking about absolute poverty because he made explicit reference to wages rising and falling. Increasing misery for workers means the conditions under which they are employed: the alienation, degradation and lack of control over what they produce, and the conditions under which they have to work. Tedious and pressurised work is two other miserable condition that workers face. There is also the stress of work to the health of workers, costing the capitalist class, for example, some £530m in 2005/6 (H&SE 2007).

There is a tendency to forget that Marx highlighted creative and satisfactory work as an important social and individual need, which capitalist production prevents the working class from enjoying. Workers end up processing bits of information, either becoming an appendage to computers and other IT systems or working in unremitting hardship in factories, on building sites or in retail outlets. Capitalism is forever trying to reduce complex skilled labour to simple labour and through computerisation this has clearly been achieved at the expense of the worker’s need for creativity. A lot of clerical work in capitalism, for example, is performing administrative activities, operating accounting systems and other commercial activities useful for businesses in their day-to-day office activities.

## “Collapse of Capitalism”

With reference to the collapse of capitalism, it is important to understand what Marx actually wrote on the trade cycle, and what his critics like Anthony Crosland claimed he wrote. They are not the same thing. Nowhere in Marx’s writings do you find the argument that capitalism will collapse under the weight of its contradictions. Marx gave great consideration to the movement of the trade cycle. Marx said that what happens in each phase of the trade cycle

is this:

\* “*Moderate activity*”: in this phase of the trade cycle capitalism is recovering from an economic depression. Production is increasing and capitalists are competing with each other for a share of the market. The market goes to the cheapest producers. Attempts are made to cheapen production through the introduction of labour-saving machinery which continually renders workers redundant while poor performing companies are taken over and restructured making them leaner and more competitive.

\* “*Prosperity or boom*”: in the period of boom, production is at its peak and the market seems to be limitless. Profits rise. Capitalists compete with each other to buy materials, machinery and scarce workers. Unemployment largely disappears.

\* “*Overproduction*”: then comes “*overproduction*”: This was described by Marx as a “*disproportions between different branches of industry*”. It means that some industries, say steel or ship building or car manufacture or petrol, have produced too much for their respective markets. It is not a general overproduction of all industries, which is economically naive and meaningless.

\* “*Crisis*”: overproduction causes crisis. This is the stage when production has been going on flat out but, as market demand is becoming saturated, stockpiles of unsold commodities are starting to pile up and profits are starting to fall. It is not caused by an inadequacy of workers’ wages. The wages of the whole working class rise before a crisis enabling them to buy more consumer goods, which refute under-consumption theories of crises.

\* “*Depression*”: then comes the trade depression. When capitalism is in a depression workers are laid off and become unemployed, thus reducing their demand for consumer goods. Profits also fall and the wages of the working class also fall. Capitalists become bankrupt and unsold commodities pile up

Then the cycle happens all over again despite the policies put forward by Keynes. Nowhere in his mature writings did Marx say that capitalism would collapse. He was not a fatalist. In fact, he said the reverse. In his manuscript THEORIES OF SURPLUS VALUE, Vol. II., (1863), he stated that “*there are no permanent crises*”.

## Nationalisation

Marx never supported the establishment of nationalisation or state capitalism. In the COMMUNIST MANIFESTO he wrote of socialism as a social system without buying and selling “*the communistic abolition of buying and selling*”.

In state capitalism, the relationship between workers and the state employing bodies does not differ in any way from the relationship between workers and private employers – as witness the wage levels in the one and the other, the strikes, the closed-down plants, the redundancies and unemployment.

In the nationalised industries, as in private ones, the capital belongs to the employer or employing body, the commodities are sold to make a profit, and - from the investors’ point of view, the only significant difference is that those who lend money to governments (used by them to finance nationalised concerns) receive guaranteed interest payments on their investments without any direct influence over the administration of the industry concerned.

Nationalisation is not Socialism. Nationalisation continues the production of commodities for sale at a profit. The class struggle also continues. Socialism of course takes the opposite course, involving the abolition of buying and selling which is precisely what Marx advocated in the COMMUNIST MANIFESTO.

Nothing within Socialism will be bought or sold, there will be no production for sale, production will be solely and directly for use, and that of course, is what the Socialist Party of Great Britain has been saying, ever since it was formed in 1904. Nationalisation is not an alternative to private capitalism but just one side of the same exploitative capitalist coin. Nationalisation, as a solution for the problems of the working class, never worked and it is now a totally discredited policy.

# Keynesianism

Crosland's ideas were based on the false belief that Keynes had solved the problem of the trade cycle. The Labour government never intended to abolish capitalism but believed that Keynesian demand management through fiscal and monetary policy would, with nationalisation and planning, humanize and manage capitalism. Instead, economic crises, unemployment and rising inflation undermined the Keynesian foundations of Labour's economic policy. When the IMF was called in by the Callaghan government in 1976, Crosland, who claimed some 20 years earlier that Britain was no longer '*capitalist*', was impotent to stop the programme that cut £8bn off the so-called '*welfare*' budget, (about £40 bn today: source safra.com).

From 1955 onwards unemployment went up, each peak of unemployment rising to a higher level: to 747,000 in 1963, to above a million under the Heath government in 1972, and to 1,500 in 1976 under the Labour government and to over 1,600,000 in July 1977. So much for the failed economic policy of Keynes, upon whose theory Crosland based his naïve hopes for continuous growth and increasing equality. Governments cannot do anything to prevent economic crises.

If Ed Miliband's supporters believe he is the inheritor of Anthony Crosland's ideas, the question must be asked: "*What has Ed Milliband inherited?*" The answer is absolutely nothing, for there is an intellectual wasteland that stretches out from Crosland to Miliband via the failure of successive Labour governments to solve, through social reforms, the problems of unemployment, poverty and inequality.

Anthony Crosland did not refute Marx as his current supporters in the Labour Party maintain. Marx is as relevant today as he was in 1956. Marx is read as a serious commentator on capitalism while Crosland's books are hard to find even in second hand-bookshops. Following the failure of intellectuals like Crosland to refute Marx it is no wonder that Ed Miliband has admitted that the Labour Party's policy under his leadership has to begin with a blank sheet of paper.

## "WORLD SOCIALISM" ACROSS THE BALLOT PAPER

The UNITED KINGDOM ALTERNATIVE VOTE REFERENDUM is a planned UK referendum on whether to adopt the Alternative Vote (AV) electoral system for electing Members of Parliament to the House of Commons at Westminster. The referendum is planned to take place on 5 May 2011, having been agreed as part of the Lib-Con Coalition agreement drawn up after the 2010 general election, as part of the Parliamentary Voting System and Constituencies Bill.

What is the Socialist position? Whatever system capitalism adopts for its elections, the position of the Socialist Party of Great Britain remains the same: the necessity for a working-class majority to take conscious and political action to establish Socialism. Rather than waste time in the minutiae of capitalist politics, workers should look beyond the referendum and show a real interest in Socialism. It will require some thought and study, far more than is now shown. Political study and Socialist knowledge will teach workers that capitalism is not worthy of support, no matter what voting system it chooses to operate under.

For the working class, only Socialism is the answer to the problems they face and that can be obtained by the revolutionary use of the vote: the sending of Socialist delegates to Parliament and the capture of the machinery of government. For Socialists the response to the AV electoral system is clear; on May 5th "WORLD SOCIALISM" will be written across the ballot paper.

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# The Class Struggle

The class struggle! When the term crops up one almost feels the vibrations as the neighbourhood shudders and heads plunge into the sand. "*There ain't no such animal!*" reports a muffled voice from the gritty depth. "*Figment of a*

*distorted imagination!"* proclaims an indignant variant.

How often have we heard these thoughtful pronouncements levelled at those who think there are lions among the lambs on this gentle planet!

Yet there is a class struggle in society, right here and right now. What's more, the world has been witnessing the spectacle of classes in conflict for a long, long time.

It first came about in remote times, back some 6000 or more years ago. Man had expanded and developed his methods of obtaining the requirements of life to the point where it was possible for him to produce more than his own needs, a condition that led to the division of society into classes. These classes were made up on the one hand of those whose function it was to produce wealth and perform useful services, and on the other hand of those, at first assigned functions considered to be useful or desirable, who finally developed into a class with no function other than to surround themselves with wealth and privileges and means for protecting these conditions.

Men and women at this time stood in the relation to one another of master and slave and the earliest societies in which slavery were known as Chattel Slave societies. The Pyramids of Egypt, the Parthenon of Athens, the Coliseum of Rome, all were built during a period when slave society had reached a high degree of development, the slave states of Egypt, Greece and Rome among the greatest in the ancient world.

Where there are classes there is servitude, and where there is servitude there is conflict. No account of early slave society is complete without reference to the struggles of the slaves to gain their freedom, struggles that sometimes reached massive proportions. Amongst the most noted of these struggles were those led by the slave, Spartacus, who rallied 100,000 of his followers in a bid for freedom against the Romans, to be finally killed in battle, his followers captured, 600 of whom were crucified.

The slave states of antiquity were succeeded by Feudalism, which spread through Europe following the decline of the Roman Empire. Feudalism was also a class society, but the basic division was between serf and lord rather than between slave and slave owner as formerly. The serf was bound to the land, part of which he cultivated for himself and family and part for the lord. The shackles of this form of servitude were no less binding than were those of the chattel slaves and no less productive of rebellion amongst the victims, as shown by the peasant revolt in England under Wat Tyler in 1381 and the peasant war in Germany under Thomas Muenzer in 1525. These and other outbreaks in various parts of Europe were crushed, often with great brutality.

We no longer live under Chattel Slavery or Feudalism, but humankind has not yet rid itself of classes. The society of today is a capitalist society and the classes that face one another are the capitalist class and the working class. The form of bondage is different to the forms that prevailed formerly, but it is still bondage. The wealth producers of today are not bound to a lord or a master as were serfs and slaves. They may refuse their services to this or that capitalist. But they cannot escape from the capitalist class. They must deliver their abilities to some member or members of that class. In no other way do they have access to the things needed to preserve life.

And in spite of the often repeated claim in various circles that the classes today have mutual and harmonious interests, the facts show that a struggle between these classes is as grim as any that preceded it. From the beginning of the existing form of society down to the present day there has been a never-ending conflict between the capitalists and the workers: on the part of the capitalists to squeeze every possible ounce of energy from the workers at the lowest possible cost; on the part of the workers to check these efforts and to try to gain bearable living and working conditions for themselves. The Winnipeg General Strike of 1919 and the British General Strike of 1926 are among the more bitter manifestations in many parts of the world.

The class struggle has a very real existence in modern society. By means of the class struggle the capitalists rid themselves of the restraints of Feudalism and became the dominant class in society. By the same means will the workers rid themselves of the restraints of capitalism – when they have come to know that efforts directed solely to easing hardships of their own subservience are not sufficient and that they must, in their own interest and in the interest of all humanity, do away with all forms of human bondage, by doing away with the things that divides humans into classes – the class ownership of the means of production – and transforming the means of life (the mills,

mines, factories and so on) into the common property of all, operated for no other purpose than to bring security and happiness to the human race.

THE CLASS STRUGGLE, Socialist Party of Great Britain April 1962, p. 11-13.

“*The history of all hitherto existing society is the history of class struggles*”: Marx and Engels, THE COMMUNIST MANIFESTO, (*The Communist Manifesto - and the Last Hundred Years*, Socialist Party of Great Britain, 1948, p.60).

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## All Things Change

With the collapse of the Berlin Wall in 1989 we were told that a great revolution had taken place. For the anti-socialists, Adam Smith had won and Marx had lost. Lord Rees-Mogg, former editor of the TIMES announced with great pomposity that “*Marx is dead as a prophet. He is kaput*”, (INDEPENDENT, 5th February 1990). THE NEW YORK TIMES also wrote that “*capitalism has won*” (quoted in J. Slovo, HAS SOCIALISM FAILED 1990, p.7). And on the 5th March 1992, the Hegelian philosopher, Francis Fukuyama promised us “*continuous peace and prosperity*” and trumpeted THE END OF HISTORY. Liberal capitalism; the capitalism of the US had seen off any alternative. Or so they thought.

Marx’s revolutionary ideas were assumed to have been buried under the rubble of the Berlin Wall. This was wrong. They weren’t. Marx not Hegel has had the last laugh. Not only did US capitalism experience 9/11 but the terrorist attacks on New York and Washington set in train two wars, one in Iraq and the other in Afghanistan, while globalisation has begun to shift world power and influence away from the US towards emerging capitalist countries like China and India.

One war has left Iraq in anarchy, with assassinations, car bombs, suicide bombers and political instability the norm. Over a hundred people, for example, were killed and hundreds more injured in a series of explosions carried out by terrorists during the 3rd of November 2010. The oil fields may have been secured for US consumption but the country remains politically unstable. There are some 50,000 American troops stationed in Iraq as an insurance policy until way beyond 2011 with the US enduring a monthly drip-drip of casualties and deaths.

The second war in Afghanistan, now in its eleventh year, goes on unabated, sucking in Pakistan where terrorist attacks are commonplace with, for example, 45 deaths at a Mosque one Friday in November 2010. The war has also seen the US government’s use of un-manned ‘*drones*’ to kill men, women and children in an act of barbarism matched only by the Taliban insurgents and their supporters in Al-Qaida. Socialists do not take sides in capitalism’s wars and disputes.

Unfortunately for Mr Fukuyama’s mis-placed optimism there has never been continuous peace since the fall of the Berlin Wall. Former Prime Minister Tony Blair, at the first Iraq Inquiry in 2010 and again in January 2011 wanted a war with Iran, although he would no longer be involved in the blood-letting since he now spends most of his time amassing a fortune by giving lucrative after-dinner speeches and lectures. For a lucky minority, like Mr Blair, war does pay. And of course the conflict in the Middle-East between Israel and Palestine goes on and on. There is, too, conflict, between North and South Korea and between Pakistan and India three of whom have nuclear weapons capability. State and individual terrorism exist all over the globe bringing death and destruction.

Fukuyama was a participant in what was known as the Project for the New American Century (PNAC) in which the model of US capitalism was to be imposed on the rest of the world. Their first project was war with Iraq and the removal of Saddam Hussein bringing in its wake torture, humiliation of prisoners and concentration camps. The US might have secured the oil but not the peace.

Bush’s Vice- President Dick Cheney was a founding member of PNAC, along with Defence Secretary Donald

Rumsfeld and Defence Policy Board chairman Richard Perle. Deputy Defence Secretary Paul Wolfowitz was the ideological father of the group. Bruce Jackson, a PNAC director, served as a Pentagon official for Ronald Reagan before leaving government service to take a leading position with the weapons manufacturer Lockheed Martin.

PNAC was staffed by men who previously served with groups like Friends of the Democratic Center in Central America, which supported America's violent involvement in Nicaragua and El Salvador, and with groups like The Committee for the Present Danger, which spent years advocating that a nuclear war with the Soviet Union was "winnable." An unlikely cabal of peace-loving "*Hegelians*"!

Nor has there been continuous prosperity for all. In 2007 world capitalism experienced a global economic crisis which has left a deep depression, bankruptcies, austerity and millions of workers unemployed, 21.4 million in the EC alone (EUROSTAT, October 2010). Major US institutions had to be bankrolled by the state under a deeply conservative and Republican President Bush. Free market economics with its promise of limitless growth and prosperity for everyone turned out to be an illusion, no more successful than the Keynesianism it replaced. Marx was read again, his works are never more popular while the sterile conservatism of Hegel and his latter-day supporters were quickly forgotten. Marx wrote a scientific account of capitalism, not philosophy.

History did not end with the collapse of the Berlin Wall. In fact, history by itself does nothing. Real men and women change history but only under certain circumstances. There is still a world to win and the political agency for revolutionary social change is the world's working class "*The proletarian movement is the self-conscious, independent movement of the immense majority, in the interest of the immense majority*" (Karl Marx, COMMUNIST MANIFESTO). The working class still have the potential to make history.

And this brings us on to Marx's critics who have tried in vain to demonstrate mistakes in his analysis of capitalism. It is testimony to the validity and soundness of the method used by Marx in CAPITAL that his opponents have had to rest their case on the discredited works of the Austrian economist, Eugene Böhm-Bawerk and in particular his book KARL MARX AND THE CLOSE OF THE SYSTEM. The Ludwig von Mises website, (von Mises was a student of Böhm Bawerk), is populated by free-market fanatics, who spend a large amount of their time and energy attacking Socialism and Karl Marx. The Mises Institute holds Böhm-Bawerk in pride of place in their on-line bookshop as having "*refuted*" Marx's argument on the origin of value and price in CAPITAL. He did no such thing.

What these naive critics fail to understand is that Marx had written CAPITAL VOLUME III in note form before the first volume was published. Marx also started with social systems, social relations, classes and class struggle, not the fictional individual of academic economists. Marx was also careful to explain to his readers when he was making assumptions he would later drop by noting the fact in footnotes something which Böhm-Bawerk conveniently missed. Unlike his critics, Marx took the trouble to read and understand his opponents. For the Mises Institute to have to rely on the poor arguments of a little read late 19th century economist says a lot for the power and relevance of Marx's work in the 21st century. What valid and sound arguments have the Mises camp put up against Marx? None whatsoever.

We have to ask the pertinent question "*Did Böhm-Bawerk actually read Marx's CAPITAL carefully?*" Obviously not, because his book is strewn with quotations from Marx's writings taken at random and out of context. At the very best Böhm-Bawerk can be accused of poor scholarship; at worst the creation of a straw Marx to easily knock down. Is this the best the defenders of capitalism can do?

What of von Mises himself. His so-called "*Rational Economic Calculation*" argument has been seen as a knock down reply to the Socialism of Marx (COLLECTIVIST ECONOMIC PLANNING, ch 3, *Economic Calculation in the Socialist Commonwealth*, ed. F.A. Hayek, 1935). But Socialists are not obliged to accept either the method employed by von Mises or the marginal utility theory on which it rests. Socialists do not have to show how a future Socialist society will work. In any case "*economics*" will play no role in Socialism. Production and distribution in Socialism will be a technical matter not an economic one. Economics is the study of commodity production and exchange for profit. Socialism entails no buying and selling and no wages system but instead a conscious democratic plan for producing goods directly to meet human need.

So what of Marx's contribution to the understanding of capitalism? Marx's scientific method derived, in part, from

his theory of history, known as the materialist conception of history, his political concept of the class struggle and a labour theory of value used to study the commodity, money, wages, capital and other economic categories found within capitalism. All three theories form a coherent interconnected whole and cannot be treated separately from each other. Marx's ultimate goal was to deal "*a theoretical blow*" to the capitalist class. This aim is found in a letter before the first volume of CAPITAL appeared. Marx wrote:

*...I have been ill for the whole of this year (carbuncles and furuncles) – Without that, my work, CAPITAL, on political economy, would have been published already. Now I hope to finish it in a couple of months and to deal a theoretical blow to the bourgeoisie from which they will never recover. Farewell and rely on it that the working class will always find a loyal champion in me (MARX-ENGELS CORRESPONDENCE: Marx to Klugman October 4th 1864, 1977 edition p.93).*

And in a letter to Becker he said:

*It is (CAPITAL) assuredly the most frightening missile which has ever been launched at the heads of the bourgeoisie (including landowners) (April 17th 1867, p.100 loc. cit).*

These remarks about Marx's purpose in writing a critique of political economy find an echo in the Preface to CAPITAL where he stated that his aim was "*to lay bare, the economic law of motion of modern society*". Despite not finishing his work on CAPITAL, (volumes II and III were completed by Engels and the three volumes of THEORIES OF SURPLUS VALUE were later edited by Kautsky), did Marx "*lay bare the economic law of motion of modern society*"? Yes, he showed, among other things, that:

- \* Capitalism had an origin and termination in the class struggle
- \* Social wealth was the product of class exploitation in the peculiar way labour-power became a commodity under capitalism producing what Marx called "*surplus value*".
- \* Capital was created, concentrated and accumulated as an anti-social force, where capital accumulation was the sole aim of commodity production and exchange, not the meeting of human need.
- \* Total profit equaled total surplus value, total prices of production equaled total value and the aggregate "*price*" rate of profit equaled the aggregate "*value*" rate of profit thereby demonstrating the existence of class exploitation (see CAPITAL VOLUME III, *Formation of a General Rate of Profit*, tables on p. 255 and p. 256 of the Penguin edition 1996).
- \* Capitalism could never be run in the interest of the working class because the means of production were owned by the capitalist class and protected by the employers' State.
- \* The trade cycle was a result of the contradictions of commodity production and exchange for profit and that capitalism was not harmonious but deeply unstable, unpredictable and destructive.
- \* The working class and only the working class had the interest and the potential to consciously and politically replace capitalism with Socialism.

Marx also made useful contributions to questions of money and inflation, productivity, banking and interest and the trade cycle. He wrote usefully on history, anthropology, mathematics and philosophy.

Marx's study of political economy and his criticism of capitalism were not as an academic but as a socialist revolutionary. You cannot separate Marx the Socialist from his scientific writings.

CAPITAL was written as part of the class struggle to which Marx devoted much of his adult life; a struggle which centred upon a class conscious working class taking political action to abolish capitalism and establish socialism. Marx was not a more superior economist than his rivals but a Socialist revolutionary.

We should not forget the tragic conditions under which Marx wrote CAPITAL. Marx often lived in poverty and dependent on his friend Engels for money. In a letter to S. Meyer he wrote:

*I was continually hovering between life and death. So I had to use every moment available for work in order that I could finish the work for which I have sacrificed health, happiness and family... The so-called "practical" men and their wisdom make me laugh,.. If one wished to be an ox, then one could naturally turn one's back on the horrors of humanity and only look after one's own interests, But I would have considered myself really unpractical if I had snuffed it without completing my book, at least in manuscript (MARX-ENGELS CORRESPONDENCE April 30, 1867 p.101-102 Moscow 1977).*

Marx wrote much of CAPITAL in poverty; subsidized by Engels, forced to write newspaper articles; to study in the British Museum by day and write the manuscripts for CAPITAL by night. Of course there was his family life. There is a lovely image painted by Francis Wheen (KARL MARX, 1999) of Marx writing CAPITAL at his desk while his daughters used him as an imaginary horse.

Finally, we should recall the words of Lothair I (795-855), emperor to the Holy Roman Empire, which was to run on for another 1000 years; "*All things change and we change with them*".

The feudal remnants of the Holy Roman Empire perished with the First World War nevertheless Lothair's observation is applicable to empires as it is to social systems like capitalism. There is an alternative to capitalism: Socialism; and there is a class who have the revolutionary potential to make history, the workers of the world.

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## Where is Chinese Capitalism Going?

In 1949 the Socialist Party of Great Britain viewed China as a capitalist country and have put this view in our propaganda ever since. We put this view in the SOCIALIST STANDARD, again later in the 1978 QUESTIONS OF THE DAY, and more recently in SOCIALIST STUDIES and have used it in our propaganda ever since. We stated at the time that it was absurd to believe that China could have become Socialist after the Second World War with an essentially peasant economy and small industrial base. No other line of development was possible for China and its political dictatorship than to become a capitalist country where commodity production takes place for profit through the exploitation of the working-class. And this has historically been the case.

A lot of events have occurred between 1949 and 2011 but the basic proposition that China, today, is capitalist, remains true. There is commodity production and exchange for profit; the exploitative wages system, a class struggle, a coercive state protecting the interests of capital and wealth and privilege for a minority and poverty, unemployment, hardship and social alienation for the majority.

The economic reforms initiated from the mid-1970s by the Chinese dictator, Deng Xiaoping, which included letting state-owned enterprises go bankrupt and the private sector to legally employ and exploit workers, has meant that capitalists in China are on the increase. Private ownership of the means of production in China has been given legal rights and capitalists enjoy the protection of the state as long as they are willing to find political representation through the monolithic Chinese 'Communist Party' and its leadership. Foreign capital is also encouraged.

In an article, "*China's new rich learn to flaunt it*" (1st January 2006), THE GUARDIAN gave details of China's growing capitalist class and the unearned income they had accumulated. Three capitalists were interviewed; Hang Guangyu had a private wealth of some £1 billion from his electronic appliances business; Yan Jiehe had a fortune of £850 million from road building, and Timothy Chen Tianqio was a multimillionaire from investments in online games and internet portals. The article was silent on where their wealth had come from.

Four years later, the FORBES MAGAZINE revealed that China now had more billionaires than any other country besides the United States (BBC NEWS 11th March 2010). FORBES stated that world capitalism now has 1,011

billionaires. The country with the biggest concentration of billionaires is the US, with 403. But China comes second with 64 living in the mainland. That figure jumps to 89 if Hong Kong is included in the figures. The former British colony was returned to China in 1997, but largely governs its own internal political affairs. On FORBES' list of billionaires there are a total of 97 new additions - and 27 of those come from mainland China. They include capitalists such as Li Shufu, who is chairman of Geely, a car-maker that is currently poised to buy Sweden's Volvo. The richest man in China, Zong Qinghou, runs a multi-billion-dollar firm, the Wahaha Group that makes soft drinks.

What of the workers? Life is grim for workers in China, as it is for workers elsewhere in the world. Whether workers are either employed and exploited or unemployed and living a precarious and often stark existence; they are all stamped with the legend "*wage slave*". There is an estimated 175 million unemployed workers in China - what Marx called the industrial reserve army of the unemployed. There is a further 375 million peasants, eking out an existence in the countryside, who will eventually gravitate to the cities. This pool of labour and potential labour is larger than the entire working population of Europe combined. Another dimension often brushed off as a side-effect of China's growth is the use of child labour. To promote exports, a significant part of the economic boom, around 7 million Chinese children are sent out to work. In Asia as a whole, that figure is around 130 million, vastly more than the number of children employed and disfigured in the mills and mines of early 19th century Britain (G. Steingart, CHINESE CAPITALISM, PUTTING PROFITS BEFORE PEOPLE'S LIVES, *Der Spiegel*, on-line newspaper article, September 10th 2006).

According to the financial economist, Jeremy Walker, on its present growth trajectory the Chinese economy will have overtaken that of the United States by 2050. He said: "...its manufacturing sector is already producing more than the US", though Warner goes on to state that this growth has come with a cost: "...rampant corruption, extreme social dislocation and a growing wealth divide..." (DAILY TELEGRAPH, 28th January 2011). The class struggle between capital and labour is a fact of life in China, and the potential for the establishment of Socialism exists there as it does for workers living elsewhere in capitalism.

As China's role in world trade has steadily grown, its importance to the world capitalist economy has also increased apace. China, for example, is Australia's biggest export market. China's foreign trade has grown faster than its GDP for the past 25 years and, as of February 2011; China became the second biggest capitalist economy in the world. China's growth comes both from huge state investment in infrastructure and heavy industry, and from private sector expansion in light industry. The smaller but highly concentrated public sector, dominated by 159 large State-owned enterprises or SOE's, provided key inputs from utilities, heavy industries and energy resources that act as a support for the growing private sector which has now expanded into many African countries and the United States which, it seems, is all in favour of the free market when it applies solely to US manufacturing but not with the competitive aggression of Chinese capitalism (THE CHINESE ARE COMING, BBC, February 2nd 2011).

Like any capitalist country, China is not immune from periodic economic crises and trade depressions. In 2008, due to the world economic crisis, thousands of Chinese private companies closed down with the consequence of high levels of unemployment, with 10 million migrant workers alone losing their jobs (BBC NEWS February 27th 2009). As a result the Chinese government increased the role of state-owned enterprises in the economy by absorbing the bankrupt companies. No one claimed it was a "*socialist policy*". In the US, the management consultants McKinsey were full of praise for the SOE's in China who they believed would make "*fitting partners*" for multinationals from the US and Europe to partner and invest in (J. R. Woetzel, Reassessing China's State Owned Enterprises THE MCKINSEY QUARTERLY July 14th 2008).

## Where is Chinese Capitalism Going?

Given the fact that capitalists in the private sector of the Chinese economy are now becoming wealthy individuals enjoying "*inviolable property rights*" and there were, by 2010, approximately 10 million small businesses in China, why is there the need by employers for political representation rather than the one provided by the Chinese Communist Party? There are two reasons. First, the need for political representation is bound up with the question of taxation and who should carry the burden of taxation within the capitalist class. Second, there is the question of conflicting interests within the capitalist class over the following issues:

\* Which capitalist firms should get state subsidies and patronage

\* The conflict between import and export capitalists

\* The conflict between rentiers, financiers and industrial capital

\* The need for both a stable, high or low currency and interest rates.

\* The enactment of political and economic policy by the State for a particular section of the capitalist class.

The Communist Party cannot balance all these conflicting interests. Capitalists are always in competition with each other, particularly over different interests for which they require their own specific political representation. Save for the development of World Socialism and its impact on Chinese politics, the political tendency towards a multi-party State in China will not go away. As we write, a so-called “*jasmine revolution*” appears a distinct possibility for the near future.

## Our Advice to the Chinese Working Class.

The fact remains, the ‘Communist Party’ in China, despite the economic reforms, is a political and economic impediment on the development of Chinese capitalism. As one capitalist once remarked “*Capital has wings*”, it needs its freedom. That is not to say that there are not political movements existing in China. The start of a struggle by a capitalist class wanting representation for its interests is always framed in abstract political principles of the individual or the inclusiveness of nationalism and religion. However, to be successful and wrest power away from a dictatorship, these political reforms need the support of the working class. Socialists advise workers in China, and elsewhere in the world, not to confuse their own class interests with those of the capitalist class. Workers should learn from the mistakes of the “*revolutions*” which took place in Eastern Europe in 1989 where one form of capitalism was replaced with another under the banner of “*democratic reform movements*”. Workers were still exploited, vulnerable to unemployment and other social problems peculiar to their class.

Socialists support workers trying to create independent trade unions and struggle for higher pay and better working conditions; not the establishment of leaders at the head of political movements. After dictatorships are overthrown poets, writers, artists and intellectuals are quickly displaced by hard-nosed capitalist politicians – lawyers and economists - who, once they have secured power, quickly turn on workers. Socialists in China should retain distinct opposition to all other parties, reform movements and political organisations masquerading as “*trade unions*” like the Solidarity movement in Poland. At its peak Solidarity had 10 million members, active support and guidance from the Catholic Church, and a political objective for the “*repair of the republic*” rather than the establishment of socialism (*Solidarity programme*, quoted in *Pushing Back the Curtain* BBC NEWS, 20th February 2011). Solidarity went on to form a capitalist government. Workers should learn from history, ignore abstract phrases and avoid leaders.

Socialists support the action of the working class in China trying to create an independent socialist political party along the lines of the SPGB. We do not support “*democratic reform movements*”. The development of Socialism in China will come, as it will elsewhere in the world, once workers realise that capitalism can never be run in their interests. There is a world to win: the Socialism advocated by The Socialist Party of Great Britain –the common ownership and democratic control of the means of production and distribution by all of society.

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## The Debris of Shattered Arguments

### The Debris of Shattered Arguments

One of the first criticisms of the use of mathematics by economists to “*explain*” capitalism without the necessity for

a labour theory of value was made by H. J. Hyndman of the Social Democratic Federation in a lecture read before the Political Economy Circle at the National Liberal Club in 1896. All the leading supporters of William Jevons, the 19th century economist, were invited to attend the lecture; Professor H. S. Foxwell, Alfred Marshall and Sydney Webb, but they did not bother to turn up, offering neither an excuse nor an apology.

Hyndman's lecture was given to counter the claim made by Jevons's supporters that it was irrelevant for Marxists to try and find fault with Jevon's theory of marginal utility because the supply and demand curves were supported by the mathematics of differential equations. "*Look to the mathematics and prove the equations wrong*" was their cry. However, mathematics cannot protect unsound arguments.

Jevons had argued that "*value depends entirely upon utility*" in particular, on "*final utility upon which the theory of Economics will be found to turn*" (THE THEORY OF POLITICAL ECONOMY 1874, p 111). As a matter of history and fact, the assertion was wrong. Economics was historically limited to the study of commodity production and exchange for profit in which the labour power of workers had also become a commodity. Commodities were the product of labour, hence labour, not general utility, measured the value of commodities. The process within commodity production and exchange that generated value and surplus value was the expenditure of socially necessary labour time.

In the lecture Hyndman replied to Jevon's supporters:

*I shall allow all the missiles of dy/dx to fly round my head without dodging, and the fragments of Conic Sections that may be aimed at me will not disturb my intellectual equanimity for a moment – impavidum ferient ruinae - the debris of shattered arguments are not rendered more formidable by being enveloped in useless mathematical formulae (The Final Futility of Final Utility in ECONOMICS OF SOCIALISM, Twentieth Century Press 1896, fourth edition, p 225-245).*

Since the late 19th century economists have used more and more sophisticated mathematics to hide the debris of their "*shattered arguments*". Differential equations may have given way to set theory, linear algebra and game theory but the economic arguments of the economists still remain shattered.

## C. J. Faulkner and the professors of arithmetic.

Another writer contemporaneous with Hyndman who also criticised the misuse of mathematics by economists was C. J Faulkner. A gifted mathematician and one of Morris's closest lifelong friends, C. J. Faulkner came from Birmingham and met Morris at Oxford, where he earned two firsts in mathematics and a first in natural science.

Faulkner became a Fellow of University College in 1856, a lecturer in mathematics 1864-71, Dean from 1870-75, and a Senior Fellow from 1877-92. He left Oxford for a period to keep the books for Morris, Marshall, Faulkner, & Co., accompanied Morris to Iceland in 1871, founded the Oxford branch of the Socialist League, and in 1885 contributed £100 to the inauguration of Commonweal.

In July to August of 1887, Faulkner published an article in THE COMMONWEAL, "*Inhuman Arithmetic*". Spread over three editions of the journal, the article attacked political economy and the economics of William Jevons, in particular, for reducing men and women to mathematical "*ciphers*". It was the first attempt to extend Marx's ideas of commodity fetishism which he had set out in the first chapter of CAPITAL VOLUME 1. Whereas for Marx the commodity hid definite social relationships, for Faulkner mathematics was being used by economists to dehumanize workers. In the mathematics of marginal utility workers became mere numbers and statistics. There was no "*marginal revolution*" in the late 19th century but, instead, a deliberate and calculated political reaction to marginalize Marx's scientific account of capitalism.

Faulkner derided economists such as the leading figure of the marginal utility school, W. S. Jevons, as "*Professors of Inhuman Arithmetic*", (THE COMMONWEAL VOL.3, no 32, August 6th 1887, p. 250). It was Jevons, formerly a mathematician, who introduced the calculus into economics in a failed attempt to prove that, through supply and demand equations, buying and selling, was harmonious and economics could be explained solely by the actions of

individuals, the market and the price mechanism. Hidden in the mathematical equations is the dictate of the capitalist's class power over the working class: "*I demand; you supply*".

Faulkner went on to write:

*The great fault of our Inhuman Arithmetic is that it thus counts men as part of machines, and as influencing each other like the wheels of a clock, but not otherwise* (August 13th 1887).

He also gave a lecture to the Socialist League on the subject of "*inhuman arithmetic*", now lost (WILLIAM MORRIS'S SOCIALIST DIARY, ed. F. Boos, 1982).

## The economist's obsession with mathematics

Many economists are obsessed with mathematics. But as one wit has observed, some mathematicians may have become economists but no economist has ever become a mathematician. The use of mathematics as a fetish has a long history. This has been shown in a useful essay, *The Merchant of Venice, or Marxism in the Mathematical Mode*, published in 1988 by the economist David Ruccio who drew attention to the Venetian TREVISO ARITHMETIC of 1478, one of the first texts which united early capitalist trade with mathematics. The TREVISO text is contained in CAPITALISM AND ARITHMETIC (ed. F. J. Swetz, 1987) with the inclusion of an apposite sixteenth century verse by Robert Recorde, which has a bearing on the economics model makers of the 21st century. Recorde wrote:

*... their cunning do attain, at whose great works most men do wonder, then I see well I was much deceived, and numbering is a more cunning thing than I took it to be* (THE DECLARATION OF THE PROFIT OF ARITHMETICKE, 1540).

David Ruccio also criticized economists who followed the command of Paul Samuelson, the American economist, writing in 1971, that to understand capitalism you had to replace the method of Marx with the mathematics of "*bourgeois economics*". A criticism of the consequences of following Samuelson appears in RECLAIMING MARX: A REFUTATION OF THE MYTH OF INCONSISTENCY by Andrew Kliman, published in 2007. One economist, John Roemer, who claimed to be a "*Marxist*", replaced Marx's labour theory of value with game theory based on individuals rather than class, class relations and class struggle (p.175).

There have been other criticisms of the use of mathematics by economists to hide their assumptions conducive to the capitalist class and their politicians, notably FROM POLITICAL ECONOMY TO ECONOMICS (D. Milonakis and B. Fine, Routledge 2009, p. 298). And in FRONTIERS OF POLITICAL ECONOMY (Verso, 1991), G. Carchedi also demonstrated the restrictions imposed by mathematical models on the understanding of the contradictory movement of capital accumulation. To understand capitalism means reading CAPITAL - not "*bourgeois economics*" (See J. Quiggin ZOMBIE ECONOMICS: HOW DEAD IDEAS STILL WALK AMONG US, 2010)

## Economic models cannot repair shattered arguments

Following the recent trade crisis and economic depression, many economists have asked the question "*what went wrong with economics*"? One of these was Paul Krugman. He criticized the obsession by economists with mathematical elegance to justify a peculiarly religious vision of capitalism:

*As I see it, the economics profession went astray because economists, as a group, mistook beauty, clad in impressive-looking mathematics, for truth. Until the Great Depression, (The one in the 1930s), most economists clung to a vision of capitalism as a perfect or nearly perfect system. That vision wasn't sustainable in the face of mass unemployment, but as memories of the Depression faded, economists fell back in love with the old, idealized vision of an economy in which rational individuals interact in perfect markets, this time gussied up with fancy equations* (HOW DID ECONOMISTS GET IT SO WRONG, Paul Krugman, New York Times, 2nd September 2009).

Capitalism is simply not a system of "*rational individuals*" interacting "*in perfect markets*". The profit system is

contradictory and irrational. What rational social system would periodically curtail production, make millions of workers redundant and stockpile unsalable commodities because there is no profit to be made, and do this at a time when half the world's population is starving? Yet economists would rather cling to their shattered arguments than engage in the problems of the real world. You can say a lot of unkind things about economists – and many people do, e.g. "*Teach a parrot the terms 'supply and demand' and you've got an economist*". (Thomas Carlyle); but to question their mathematical models will result in a vitriolic counter-attack. The latest to have his feathers ruffled was the economist Gregory Mankiw. He was upset with Lord Skidelsky, the biographer of Keynes, who recently criticized the over-use and failure of mathematics in economic theory, in particular the works of Robert Lucas of the University of Chicago.

Professor Mankiw wrote:

*... In academic circles, the most influential macroeconomist of the last quarter of the 20th century was Robert Lucas, of the University of Chicago, who won the Nobel Prize in 1995. His great contribution to the discipline was to analyze how government policies influence the economy in part through their effect on people's expectations... Yet Mr. Skidelsky chooses to make Mr. Lucas sound like some kind of idiot savant, more interested in playing with mathematical models than in trying to understand how the world actually works. Mr. Lucas, we are told, is following in the tradition of the "French mathematician Leon Walras [who] pictured the economy as a system of simultaneous equations." The very idea is made to sound slightly crazed (*Back in Demand*, review of RETURN OF THE MASTER by Robert Skidelsky, *Wall Street Journal*, 21st September 2009).*

Professor Mankiw forgot that his fellow professor Robert Lucas was one of those free market economists who believed, as late as 2007, that the trade cycle had been resolved by the elegance of mathematic equations supporting economic models formulated by academics like himself. In Professor Robert Lucas's opinion, "*the central problem of depression-prevention has been solved, for all practical purposes*" (Quoted in Professor Krugman: THE RETURN OF DEPRESSION ECONOMICS AND THE CRISIS OF 2008). It wasn't solved; reality bit back hard and deep. Two years later, as he surveyed the debris of his own shattered arguments; Robert Lucas beat a retreat back to the failed theory of Keynes with this remark: "*I guess everyone is a Keynesian in the foxhole*" (quoted in, *The comeback of Keynes*, TIME, 27th January 2009). What Professor Lucas appeared to have meant by this remark was his need to hide from the falling debris of his own shattered theories and cuddle up to Keynes's GENERAL THEORY, much like a child's comfort blanket.

Economists who defend capitalism should not be forgotten or forgiven. Professor Lucas was the leading exponent of '*rational expectation economics*' whose mathematical models denied that capitalism causes unemployment. The mathematical equations claimed to show unemployment to be "*voluntary*", the fault of the workers who refused to accept the discipline of the labour market. Such a theory suits the employers and their politicians because it appears unemployment can only be avoided by workers being prepared to make the necessary reduction in pay. How convenient! Would economists like Professor Lucas, who holds the mis-named Nobel Prize for Economics, visit the economic wastelands of the US - including Chicago, where the rate of unemployment in April 2010 was 11.7%, - to tell unemployed workers that their unemployment was "*voluntary*"? We doubt it. Unlike the rest of the working class, "*Professors of Arithmetic*" seem immune to unemployment (USA: DOWN AND OUT, Channel 4, 27th June 2010).

Mathematics is useful but the mathematical models of the economists cannot grasp capitalism as a contradictory process in history. These mathematical models do not have the theoretical tools necessary to understand the contradictions of capital in motion: of capital as it exploits labour-power, claws to itself surplus value, and accumulates as an anti-social process in its own right. The correct method for analyzing capitalism was the one adopted by Marx in the *Preface* of CAPITAL VOLUME 1: "*the method of abstraction*". That is why Marx's predictive power, particularly with the question of the trade cycle and conflict within and between classes over the extent and intensity of exploitation - explained by his theory of surplus value - is so powerful and suggestive.

The apologetic and superficial nature of current economic theory can be traced directly back to the marginal utility theorists who came after Marx: Jevons, Menger, Clark, Marshall and in particular Walras. And it was Leon Walras, in particular, who scrawled out a set of mathematical equations showing a "*general equilibrium*" of the whole economy. "*We curtsey to Marshall but walk with Walras*" (THE MARSHALLIAN DEMAND CURVE, *Journal of*

*Political Economy*. 57, p. 49), said the economist, Milton Friedman in 1949, but it was a walk on the dark side; an attempt to “give plausible explanations of the crudest phenomena for the domestic purposes of the bourgeoisie” (Marx, CAPITAL VOL. 1 Penguin 1990 p.175). As Marx once remarked, vulgar economics was “the graveyard of political economy”. It still is: a graveyard surrounded by mathematical fetishes and populated by economic zombies, a veritable world of the living dead.

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## Critics of Marx: Eugene von Böhm-Bawerk

With his labour theory of value Marx showed that commodities, that is articles and services produced for sale, have values proportionate to the amount of labour socially necessary to produce them: one needing ten hours having twice the value of one needing only five hours. He showed that Adam Smith and others, who regarded wages as what the employer pays for the hours of labour the worker puts in, were wrong. What the employer buys is the use of the workers’ mental and physical energies for the day or the week. This Marx called the workers’ ‘labour power’ or ‘labouring power’.

Like other commodities the value of labour power is determined by the hours of labour required to produce it, that is to say, the amount of labour needed to provide for the maintenance of the worker and his family and to provide him with the skill appropriate to his occupation.

The employer is able to make profit because the workers he employs create more value than the value equivalent to their wages. If, say, the workers create in three days of a five day week the equivalent of these, the remaining two days of unpaid labour yield to the employer what Marx called surplus value. Out of surplus value payment is made to the landlord for rented land and interest to the money-lending capitalists (bankers) for borrowed money, leaving the remainder as industrial or commercial profit for the employer.

Marx emphasised that the capitalist makes profit though he pays for labour power at its value. Marx also dealt with the relationship of value and price and in the text of Volume I of CAPITAL, price and value are treated as being equal (more about this later). In earlier times, including the beginning of capitalist production, price and value were approximately the same, but with the development of techniques of production a new factor had to be taken into account, called by Marx changes in the composition of capital. Capitalists had to devote relatively less and less of their capital to buying labour-power (employing workers) called by Marx ‘variable capital’ because it is value creating, and more and more to plant and machinery, called ‘constant capital’ because it merely transfers its value, the labour embodied in it, to the commodity: it does not add additional value, as does ‘variable capital’.

Marx, in CAPITAL (Volume I, chap. XL. p. 335 in the Kerr ed.) gave an example relating to two businesses: a bakery, which, at that time, needed little plant and machinery and a relatively large number of workers compared with a textile business needing much plant and machinery and relatively few workers. The bakery workers, being more numerous than the textile workers, would seemingly create more value.

If the total capital of the two businesses were the same when their respective commodities each sold at value, then we would be in the impossible situation where, in Marx’s words, the textile company would “*pocket less profit or surplus value than the bakery*”.

Marx was reminding readers that commodities do not sell at their value. In the real world the bakery’s commodities sold below value and the textile commodities sold above value.

After Marx’s death, Engels published CAPITAL VOL. III with its lengthy and detailed demonstration that in the developed capitalism of Marx’s day, commodities did not sell at value but at what Marx called “*Price of Production*”, so that some commodities sell permanently above value and the rest permanently below value.

Price of Production (not to be confused with what the capitalists call their costs of production) was defined by Marx

as being “*equal to its cost price plus the average rate of profit*” (CAPITAL VOL. III, chap. IX, p. 186). “*Cost price*” here means the value in Marx’s terms of the different ingredients which go into the production, i.e. the amount of socially necessary labour required.

Marx showed that, taking into account the changed composition of capital, his “*Price of Production*” is strictly in accordance with his labour theory of value.

But Marx’s critics, failing to understand Marx’s argument, would have none of it. Böhm-Bawerk declared “*Marx’s third volume contradicts the first*”. Böhm-Bawerk’s case against Marx was answered by, among others, Engels in his 1894 Preface to CAPITAL Vol. III, by L. Boudin in his THEORETICAL SYSTEMS OF KARL MARX and by Kautsky in his ECONOMIC DOCTRINES OF KARL MARX.

In addition to dealing with the arguments, Boudin neatly answered the charge that, between Volume I and Volume III of CAPITAL, Marx changed his mind. Boudin pointed out (p. 133) that:

*...most of the third volume, and particularly those portions of it which are supposed to modify the first volume, were actually written down by Marx in its present form before the publication of the first volume.*

Politicians and economists have continued to attack Marx’s theory giving a variety of reasons for doing so. Some have gone on using the argument about the alleged “*Great Contradiction*”.

One critic, Harold Laski, in his book COMMUNISM (Home University, 1926, pages 112 and 95) argued that the labour theory of value was “*erroneous*” and that what Marx was really trying to do was to “*determine scientifically*” how the workers “*ought to be paid*”.

It is impossible to reconcile this with the fact that Marx stood for the abolition of the wages system.

Professor F. W. Paish in BENHAM’S ECONOMICS (Pitman’s Paperback, 1967, p. 289) used the following argument against Marx:

*...how do we measure the quantity of labour? A Corot can dash off in a few hours a picture which will sell for much more than a picture that has taken a mediocre artist several months to produce. A working jeweller can earn two or three times as much in an hour as an unskilled worker. Why, simply because the products of a Corot or a working jeweller are more valuable.*

Paish appeared to have been unaware that Marx took the degree of skill into account. Marx wrote (CAPITAL VOL. 1. Page 51):

*...it is the expenditure of simple labour-power, i.e. of the labour power, which, on average, apart from any special development exists in the organism of every ordinary individual... Skilled labour counts only as simple labour intensified, or rather, as multiplied simple labour, a given quantity of skilled labour being considered equal to a greater quantity of simple labour.*

*This article is taken from Questions of the Day No.3: MARX: MODERN HISTORY AND ECONOMICS which can be found on our web site along with other pamphlets in the series, including ones on, Bank Credit, Parliament, Inflation, Unemployment and Trade Unions. There is no copyright on our published material but an acknowledgement, as a source, would be appreciated. A copy of the pamphlet can be obtained from the Literature Secretary at the cost of £2, cheques made payable to SOCIALIST STUDIES.*

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# Govan Workers Open Forum December 1931

Over the years we have been left a vast amount of original Party material dating from the SPGB's formative years, along with transcript of debates.

One paper in our possession, (from a bundle of documents from our late comrade Jim D'Arcy), is a report of an address WHY THE SPGB IS OPPOSED TO ALL OTHER POLITICAL PARTIES, Delivered by Comrade A. Shaw, of Glasgow Branch of the SPGB; to the Govan Workers Open Forum, Glasgow, at Robert Street on Wednesday, December 24th 1931, some eighty years ago. Other Party members also contributed to the debate, which began at 8.00 in the evening and went on until nearly 11.35, more than three hours of revolutionary debate. The building in which the Open Forum was held was rented by the British Section of the International Socialist Labour Party (ISLP), to whom the SPGB were opposed.

A point should be made about the social conditions under which the debate took place. Capitalism, like now, was passing through one of its periodic depressions. By the end of 1930, unemployment had more than doubled from 1 million to 2.5 million (20% of the insured workforce). Two years after the lecture was given, in 1933, 30% of workers in Glasgow were unemployed due to the severe decline in heavy industry. War, another problem which still faces the working class, was to break out eight years later, leaving some 55 million dead. Only the establishment of Socialism, politically and consciously, by a working-class majority can end unemployment and war. This is as true today as it was in 1931.

The opening address given by Comrade Shaw illustrates the SPGB's consistency in refusing to have anything to do with social reforms, Industrial Unionism, the Industrial Workers of the World, De Leon and capitalist Russia under the Bolsheviks. Socialism cannot be established by social reforms any more than it can be through direct action. The Socialist case argued by the SPGB in 1931 still has just as much relevance for today's working class; there is still an urgent need to replace capitalism with Socialism; the profit system with production directly for use. The Socialist Party of Great Britain's address also highlighted the consistent and principled position of the SPGB in its hostility to all other political parties who do not share the Party's OBJECT AND DECLARATION OF PRINCIPLES and the need for a class-conscious working class majority to capture the machinery of government before establishing Socialism. As the speaker stated in his conclusion "Socialism is the only hope of the working class". It still is.

We will be publishing that lecture over three issues of SOCIALIST STUDIES although it can be read in full on our web site. Some corrections to minor spelling mistakes have been made. A copy of the original document can be obtained on request at a cost of £2 to cover expenses.

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## Making a Difference

To solve social problems like poverty, war and unemployment seems a difficult task. Many people leave these problems to politicians to solve but are then disappointed when these problems remain and continue to blight their lives.

However, entrenched social problems cannot be resolved by politicians. The primary role of politicians is to administer British capitalism in the interest of the employers: the capitalist class. To end unemployment, for example, would require a social system in which there were no employers, no labour market, and no buying and selling of someone's ability to work; in short Socialism. Likewise, to end the problem of war and conflict would require the absence of nation states competing for raw resources, fighting over strategic spheres of influence and the protection of trade routes. And to end poverty would need private property ownership and class society to be replaced with common ownership and democratic control of the means of production and distribution by all of society. Social problems can be resolved but only in a Socialist society.

Politicians cannot propose a revolutionary change to solve social problems. They work within capitalism and the profit system. They cannot consider revolutionary alternatives. They cannot admit that capitalism causes social problems. And they cannot be honest and say that social problems like unemployment and poverty have no solution

within the profit system and will continue while capitalism lasts.

Understanding that capitalism can never be made to work in the interests of all society is the first step in becoming aware of the necessity for a Socialist alternative. While the capitalist class of the world continue to own and control the means of production, social problems will remain. Under capitalism the profit motive is supreme, bringing wealth and privilege only to a minority class.

The next step for workers is to realise they form part of a world-wide class which has identical interests and faces identical problems against a common world capitalist class. And it is the wages system that prevents workers from living worthwhile lives. Anyone on a wage or a salary or who is dependent on someone who is, are members of the working class. While the wages system exists workers will continually be exploited and unable to live their lives in a creative way. The only option is the need for workers to act as a “*class in itself*” and to take political action through the revolutionary use of the vote and Parliament.

The real difference each and every worker can make is to become an active Socialist. A majority of Socialists within a principled political party with a Socialist objective will demonstrate that there is an alternative to capitalism. Every new Socialist is one less supporter of capitalism and the profit system. You might be just that worker: someone ready to think for themselves for a change.

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## Obstacles to Socialist Understanding

On the face of it, wage workers have a free will and can make free choices. If they decide *en masse* that the capitalist system should continue, there is nothing that can be done about it besides explaining the real situation and trying to change their minds. Talking and writing about Socialism and the science of society, that is, the study of society past, present and future, is what we do.

Superficially it appears to be a simple matter of deciding which body of ideas would deal effectively with social problems. Looking closer at the worker’s ‘*free will*’, we find that it is anything but free. It is as “*free*” as the so-called social contract between capital and labour where not only is there no freedom of choice, apart from the choice of employers, but there is a compelling economic need for the worker to exchange his labour-power for wages. In the same way, his ‘*free-will*’ is circumscribed by the intellectual atmosphere of capitalist society. The old Jesuits boasted that given the responsibility for educating a child up to the age of 7, he was theirs for life. After a hundred years of Labour and left-wing propaganda, the ruling class would have justification for feeling the same.

Marx, using the materialist conception of history, pointed out that the dominant ideas prevailing in any society based on property were the ideas of the ruling class. Most workers consider that their interests are bound up with those of their employers. If the employer goes to the wall, their job goes with him. The employer’s problems are made their problems. The traditions of capitalist society and its ideas are based on private property and the entire capitalist organisation of production and distribution. The worker is bred and born and reared in this tradition. Marx was correct when he stated that tradition was the dead hand of the past weighing like an Alp on the mind of the living.

The problem we have to face is how to get workers to look beyond the generally accepted view of society and to understand that they hold the key to their own emancipation. This is an enormous task but not an impossible one. There are no half-way stages to Socialism or degrees to Socialism. We cannot arrive at Socialism by a series of political measures carried out over a long period.

Capitalism must be abolished as a whole with its wages system and class antagonisms. It is not possible to have part of the economy running on Socialist lines. History has exposed the futility of organisations who argue that Socialism could be introduced gradually. Their activities have produced confusion, not Socialism. This is detrimental to the socialist case, and is a major factor in the present low level of political understanding. Whilst tradition is a dormant factor, ideology, which includes the spread of reformist ideas, is a very virulent one.

Very few workers are able to discuss their social role. They will repeat what they read in newspapers, or hear on the radio and TV. But this only serves to confuse. There is no widespread discussion or dissemination of information about the science of society and social evolution which would show the temporary nature of capitalist society. State capitalism is always presented and described as Socialism; partly through intention, but mainly through ignorance. History is presented as great men doing great deeds. We are often told that we live in an enlightened age because the capitalist mass media have brought knowledge to the worker's fireside. The workers are certainly bombarded with information about the world outside. However, masses of information do not in themselves educate people or produce a questioning of their social position. It absorbs their interest and provides recreation, but generally speaking it exhausts the mind because of its sheer volume. Thinking objectively is practically impossible. This is all part of the capitalist propaganda which is based on the art of preoccupation or getting workers to think only subjectively.

The intellectual capabilities of the worker are numbed in the capitalist process. He has, as Marx put it, become an appendage to a machine. He produces bits and pieces, and his creative ability is stifled because he is a cog in the wheel. In these circumstances, it is a struggle for any mind any to be developed and nourished. The repetitive industrial processes – pushing buttons and pulling levers, feeding machines, attending conveyor belts – tends to a life as mechanical as the machine he attends. Working without any set purpose with an empty life in front of him, he is under a colossal handicap.

Considering the sheer drudgery and emptiness of life under the conditions of capital, the wonder is that workers are still reasonable. But when a man is faced with a situation where social conditions are intolerable, he will react and deal with those conditions. The obvious and most immediate thing workers will turn to is social reform, and if their interests can be served by social reform, capitalism will continue. But the point is, can capitalism meet the demands of social reform? The evidence to date proves that it cannot.

The Labour and other parties, including the many left wing elements, have forgotten the intelligence of the worker. The whole concept of leadership is based on the assumption of mass ignorance. They feed the workers on reform pap – it is easy to swallow. This very superficial diet lacks any progressive element; it leads nowhere and can lead nowhere. The application of any reform programme depends for its frame of reference on the continued existence of the conditions of capitalism. Reform is a social roundabout which moves around a fixed position but it can never break away from it. Continual saturation with reform's propaganda has had its effect on workers' minds. At the same time there is a constant criticism because of its failure to achieve any lasting results.

The substance of the Socialist case is that the workers remove the capitalists from their ownership and control of all the means of production and distribution, by using the political machinery, and establish a system of society based on common ownership under the democratic control of the whole community. Production will be for use and the productive forces now under the restrictions of capital, will be unfettered to meet the new social requirements at every level. These are the simple propositions. Their implications are epoch-making but that is what revolution is all about.

The final test of Socialist ideas must be: are they relevant and will they work in practice? If they are correct, then we must carry on. But can workers understand and will they accept the Socialist case? The two things go together. Class-consciousness means the recognition of the existence of class society, and arising from this the knowledge that political action by the majority, based on a clear understanding of Socialism, will replace capitalism by a Socialist society.

The failure of workers over the years to respond to Socialist propaganda has led some people to claim that the whole concept is utopian and impracticable, and that the average worker is unable to understand it. The argument fails to take into account the oppressive effect of capitalist ideas and beliefs, but also that our greatest ally is the economic conditions themselves.

So far, no evidence has been presented that our case is unsound. The idea that Socialism is utopian and unworkable arises out of the present distorted capitalist conditions which most workers accept as natural. Today it is natural for workers to live in a constant state of insecurity; it is natural for millions of them to be underfed and badly housed; it is natural for them to sell their labour-power for wages. Man's history from the earliest period has been a constant

battle to produce wealth and develop his means of production. This he has done.

What could be more natural than that the present generation should enjoy the products of their labour? The tasks which face the Socialist Party of Great Britain are to keep the Socialist position clear so that it can be readily understood. Confusion must be avoided at all costs. We must never fall prey to the temptation to lose patience and abandon the struggle. Unless the whole of historical precedent is to be set aside, people will solve their social problems when they become conscious of the solution.

[Written up with some slight alterations from papers of the late J. D'Arcy and first published in SOCIALIST STANDARD, January 1977. Comrade D'Arcy was an energetic and active SPGB speaker, writer and organiser who was expelled with other comrades in May 1991 for continuing to take political action as The Socialist Party of Great Britain].

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## Defining Socialism

Two words made a comeback in popular usage during 2010. The first word was “*austerity*” and the second was “*Socialism*”. The word “*austerity*” became the most searched-for word in the world’s biggest on-line dictionary, MERRIAM-WEBSTER’S, which named it: “*Word of the Year*”.

Why the popularity? The answer is not hard to understand. Austerity measures have been enacted by governments all over Europe as well as the US where the current economic depression has left over 40 million men, women and children receiving food stamps and many of the unemployed having to live in tent cities.

Of course austerity never went away for workers. Austerity is not new. Austerity has always been the hall-mark of the working class whose lives, compared to the wealth and privilege of the capitalist class, are lives of continuous exploitation, poverty and discomfort. And even during the boom years of capitalism, in the early years of the 21st century, over 2.7 billion people on the planet were only getting an average income of two dollars a day while 1.1 billion lived on less than a dollar a day (UNITED NATIONS SUMMIT ON WORLD DEVELOPMENT, 8th March 2010). That fact that “*austerity*” is the “*word of the year*” highlights the failure of capitalism and capitalism’s politicians. Politicians tell workers that it will be “*pain today and jam tomorrow*”, but tomorrow never comes.

The runner-up word was “*Socialism*”. Unfortunately, interest in this word had a lot to do with President Obama being labelled “*Socialist*” by the mad-hatter Tea Party Republicans who also referred to him as a “*Communist*” and “*Marxist*”. What these assorted Christian fundamentalists, free-market anarchists and red-neck Montana survivalists would make of a genuine Socialist if they ever met one would be interesting to know, except, perhaps, for the Socialist.

The DAILY MAIL was so worried with the re-appearance of the word “*Socialism*” in political discourse that they asked some obscure academic, Allan Metcalf, an English professor at MacMurray University in Jacksonville, Illinois, what was going on. He gave no coherent answer, only that “*around 20 or 30 years ago, everyone would know what Socialism was*” (21st December, 2010). The professor is wrong. If workers had understood what Socialism really meant 20 or 30 years ago the working class might be nearer to establishing Socialism. It was the DAILY MAIL among others, who constantly mis-attributed the word “*Socialism*” to the anti-working class policies of the Labour Party and the Russian dictatorship. And journalists at the DAILY EXPRESS, under Lord Beaverbrook, had to refer to the Labour Party in their copy as “*Socialist*” so that the word became associated with the failed policies of Labour governments.

What of a definition of Socialism? Is the definition correct? This is what the MERRIAM WEBSTER Dictionary erroneously stated what Socialism meant:

*I: any of various economic and political theories advocating collective or governmental ownership and*

*administration of the means of production and distribution of goods,*

*2: a system of society or group living in which there is no private property; b: a system or condition of society in which the means of production are owned and controlled by the state,*

*3: a stage of society in Marxist theory transitional between capitalism and communism and distinguished by unequal distribution of goods and pay according to work done.*

All three definitions are hopelessly wrong. The first two definitions refer to state capitalism and derive from the failed nationalisation policies of the Labour Party and the Bolsheviks under Lenin. The third definition is merely the doctrinaire remnants of Leninism where subsequent Russian dictators distorted what Marx wrote to justify their failure, after the Bolshevik *coup d'état* in 1917, to establish Socialism in a backward country with a largely peasant population.

A correct and scientific definition of Socialism, one in line with Marx, comes from The Socialist Party of Great Britain's 1904 OBJECT AND DECLARATION OF PRINCIPLES. The Object of the SPGB is defined as:

*The establishment of a system of society based upon the common ownership and democratic control of the means of and instruments for producing and distributing wealth by and in the interest of the whole community*

. This definition was given a comprehensive explanation in the Party's SOCIALIST PRINCIPLES EXPLAINED, republished and updated by the reconstituted SPGB in 1993. This is what we wrote as an explanation of a definition of Socialism:

*A system of society alludes to the sum total of human relationships and is meant to distinguish us from those who seek to organise co-operative colonies, islands within a sea of capitalism. Socialism will not be a colony, not a kibbutz, but a system of society in the sense that capitalism, feudalism and chattel slavery must all be characterised as systems of society.*

*The term common ownership should not be confused with such phenomena as state ownership, or "public" ownership, terms used under capitalism to designate a more direct ownership of certain industries by the capitalist class as a whole. Common ownership implies the absence of ownership and we specify that this common ownership is to apply to the means and instruments for producing and distributing wealth.*

*We do not speak here of one's personal belongings as some not too discerning opponents of our case delight in inferring. Democratic control should speak for itself but the point must be made nevertheless, that in a society wherein the means and instruments of wealth production and distribution are commonly owned it is difficult to conceive of control other than democratic.*

*In order to rule out all possibility of misunderstanding it is necessary to indicate some of the consequences of establishing the Socialist system of society summarised above. Production will be solely and directly for use of the whole population, with no buying and selling, no price system. Rent, interest and profit, and the wages system will be abolished. Production and distribution will be on the socialist principle: "From each according to ability: to each according to need". All will have free access to society's products. There will be no class division, no working class or owning class and no trade unions: there will be no trade union: there can be no trade unions because there will be no wages to bargain over and no employers to bargain with. Socialist society can only be worldwide; humanity will not be segregated behind national frontiers or coerced by the armed forces of government.*

[The pamphlet can be read in full [HERE](#)]

Unfortunately, the sound and valid definition of Socialism held by the Socialist Party of Great Britain will not be the one read by the majority of people interested in what the word really means. The way words are used and misused in dictionary definitions is out of the control of Socialists. This applies to a whole range of words like "class", "capitalism", "worker", and "democracy" which Socialists use in political discourse. As a consequence, socialists have had to spend a great deal of time trying to get the working class to understand the precise way in which we use

words to refer to capitalism and Socialism.

This is hardly surprising. Politically charged definitions and meanings of words and phrases take place in a contested political arena. Our opponents want to cause confusion. Definitions and meanings of words have to be fought for as part of the class struggle. The definition and meaning of “*Socialism*” is no exception.

Once the Socialism defined and advocated by the SPGB begins to be understood and acted upon by the working class, current definitions of Socialism to be found in the dictionaries of the world will be replaced by its correct meaning:

**The establishment of a system of society based upon the common ownership and democratic control of the means and instruments for producing and distributing wealth by and ion the interest of the whole community.**

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## **Socialism: A World of Abundance**

The material and technological resources exist today to allow the production of goods and services to meet the needs of all the world’s inhabitants. There is no need for any person to starve and go without food, housing and health provision. Abundance is linked to the development of the forces of production including labour. However a state of abundance is currently denied by the priorities of the profit system. That people do starve and don’t have their needs met is the result of the Earth’s resources being monopolised by a minority capitalist class who only produce when there is a profit to be made. Scarcity is artificial not natural, the consequence of commodity production and exchange for profit, and the private ownership of the means of production by a minority class of employers.

A society of abundance can be realised just as soon as the world’s working class stop supporting capitalism and voting into power capitalism’s politicians. Instead, workers should establish common ownership and democratic control of the means of production and distribution by all of society. This requires conscious and political action by a Socialist majority towards a Socialist end. The Socialist Party of Great Britain exists to facilitate and struggle for the emergence of a conscious and political Socialist movement necessary to create a classless society of free men and women. Socialists aim to convince the working class, those who are forced to sell their ability for a wage, to become Socialists. Only after the formation of a Socialist majority can workers use the vote to send Socialist delegates to Parliament to gain control of the machinery of government.

The SPGB aims to convince workers that Socialism is possible, practical and necessary. There is no reason why Socialism cannot be established now. We exist to show that the arguments of politicians are arguments supporting the interests of the capitalist class. Social reforms cannot eradicate the problems of poverty, war and exploitation. We are opposed to all other political parties who do not have Socialism, and only Socialism, as their objective. And we are opposed, on the grounds of class, to all wars, religions and nationalist sentiments. Religion and nationalism, in particular, prevent workers from a clear understanding of Socialism - a world-wide system without national boundaries.

Social wealth is not produced in abundance because capitalist production takes place for profit, not human need. Much of what capitalism produces is wasted on war, commerce and advertising, necessary for capitalism, but unnecessary in a rational society of free men and women. Much of what capitalism produces is of poor quality. When commodities cannot be sold, production is halted and goods destroyed. Production does not take place to meet human needs but to keep a small minority in lifestyles of privilege and power. The barrier to the rational use of producing to meet human needs is the profit motive. Profit dictates what is produced and for whom. And it is only the rich who get the best things in life.

For capitalism, it is only paying customers that count. Production for profit on a world scale means universal competition; competition for markets, for trade routes and for sources of raw materials. This universal competition leads to war and preparations for war. Billions of pounds are spent by governments on weapon production and

training workers to kill other workers in wars they have no interest in. There would be no war or national conflict within Socialism.

The working class appears to be dependent on a capitalist class for its existence. This is incorrect. Workers are only dependent upon employers because they do not own the means of production. Owning no property themselves, workers are forced to sell their ability to work for a wage or a salary. They produce more social wealth than they receive back in wages necessary to reproduce themselves and their families as a class of wage slaves. The workers are an exploited class.

Scarcity, waste and want are not natural states but are caused by capitalism and the private ownership of the means of production. Scarcity, waste and want are all attributes of capitalist production and will last while capitalism lasts. You cannot separate the parasite from its slime any more than you can separate capitalism from the problems it causes to the lives of the world's working class.

We are told by our critics that human beings are too greedy and selfish for Socialism to be established. Yet greed and selfishness are neither innate nor natural. Human behaviour depends on the form of society people grow up in and live their lives. In a highly competitive social system like capitalism, greed and selfishness are "*virtues*" to be admired yet, simultaneously, capitalism also depends on co-operative and social labour to get things produced and distributed.

The simultaneous existence of competition with social and co-operative labour is just one of the many contradictions at the heart of commodity production and exchange for profit. The actual work of society is carried out by the labour of the majority but ownership of the means of production for the purpose of accumulating capital is in the hands of a minority. Another contradiction is that capitalism exists to produce commodities for profit but in periodic trade depressions capitalists are forced to curtail production because they cannot sell their commodities at a profit. Labour is laid off, machines lie idle and commodities are stock-piled or destroyed, despite many people's unmet needs.

Socialism will resolve these contradictions. Common ownership and democratic control will allow the forces of production, including co-operative and social labour, to develop freely. Production will take place just to meet human need. And labour will be voluntary not coerced by the wages system. In Socialism cooperation and altruism will be seen as the basis of human behaviour where the maxim will be "*from each according to ability to each according to need*".

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## The Wages System versus Human Need

A salary of £14,400 is the minimum a single person needs for an acceptable standard of living, according to the Joseph Rowntree Foundation (JRF). The charity went on to say that this salary included not only basics like food and housing but also the essentials needed to "*participate fully in society*" (BBC NEWS, 10th July 2010). The figure given included the cost of mobile phones, internet access and socialising, and is above the official government poverty threshold. The salary is also significantly higher than the amount someone over 21 would earn on the minimum wage (£5.93 an hour). JFF's argument was that anyone below this income was excluded from participating in society.

Capitalism, though, can never meet the everyday needs of all society. Nor can the profit system be reformed to allow full participation in a class-divided society. And why did Rowntree not criticise the need for workers to subsist on wages and salaries in the first place? They conveniently take the poverty of the wages system for granted as something natural, eternal and not to be questioned. But wages system did not always exist. It was forced upon the working class by the capitalist class who own the means of production. Workers must find employment and work for a wage because they cannot produce what they want or have direct access to what is produced. Workers do not own the raw resources, factories, transport systems and the distribution points. The wages system is a form of rationing. The wages system restricts a workers' consumption to what they need in employment to keep themselves and their

families. What workers receive in the form of wages and what they really need are two entirely different things. It is not low wages but the wages system itself that defines poverty under capitalism. And to question the wages system is a political not a charitable act.

So what constitutes the wage? The value of labour power - the mental and physical ability to work sold to a capitalist by a worker - is determined like any other commodity; by the socially necessary labour time required to produce it. The value of labour power depends upon the amount of socially necessary labour needed to produce the basic necessities of life – the commodities necessary to feed, clothe, house and sustain the working class and their children. Under capitalism the labour time necessary to replace the value of labour power is less than the labour the workers actually perform for the capitalists in the productive process. Social reformers like The Rowntree Foundation simply do not understand how capitalism really works. Workers are paid at the end of the week according to the hours they have worked. Workers, though, spend part of their time at work producing for themselves and their children, a process Marx called “*necessary labour time*”. But they spend another part of their time at work producing commodities for their employer, what Marx called “*surplus labour time*”. And it is from the extent and intensity of exploitation that the class struggle takes place.

Surplus labour time creates surplus value: this is the source of the capitalists’ unearned income of rent, interest and profit. So a wage and the level of the wage are linked to class exploitation. The worker might have needs but the wage reflects only those needs necessary to keep him fit for exploitation. Needs such as creative and fulfilling work, housing to reflect the needs of occupiers and so on are not met by the wage and can never be met by the exploitative wages system.

And this brings us onto the Rowntree Report’s remark about participating fully in society. Full participation in society is impossible under capitalism. The private ownership of the means of production prevents full participation. There is no general participation under capitalism in shaping production and distribution to meet social need because capital dictates what is produced and for whom. As Marx noted, the objective of the capitalists is “*accumulation for the sake of accumulation*”. And the function of the state is to protect and further the interests of the capitalist class to the exclusion of the working-class majority.

Full participation in society only begins with the establishment of common ownership and democratic control of the means of production and distribution by all of society. The Rowntree Foundation totally ignores the necessity to first establish Socialism and allow for full participation in society because it naively believes a fair distribution of wages is possible under capitalism. This is simply the conservative doctrine of the social reformer. You cannot have an equitable distribution based on the profit system. Capitalism exists to meet the interests and needs of the capitalist class, and to keep them in a life of privilege and luxury.

It is ironic that the Rowntree charity was founded in 1904, the same year the Socialist Party of Great Britain was established. For the best part of a century Rowntree has set out to reform capitalism. They have failed miserably. All the social problems which existed in 1904 - unemployment, poor housing, child poverty and so on - still exist today. They are a wealthy charity with access to the media, politicians and government but they have never solved the problems facing the working class. Nor can they solve them. What they have done, though, is to prevent the growth of Socialism by turning workers’ attention away from the urgent need for social revolution to the dead-end politics of social reform.

Unlike the Rowntree Foundation, the Socialist Party of Great Britain has stressed to workers that their immediate need is freedom from class exploitation, which can only be achieved through the establishment of Socialism. In a classless society, democratic decisions can be made and everyone can participate and shape society, either directly or through delegates. All human beings will be social equals, freely able to co-operate in running social affairs. What is required is for workers, whether they are on high or low wages, to organise politically and consciously for the abolition of the wages system and the establishment of Socialism. Socialism is the only solution to poverty and social exclusion.

# **Object and Declaration of Principles**

## **Object**

The establishment of a system of society based upon the common ownership and democratic control of the means and instruments for producing and distributing wealth by and in the interest of the whole community.

## **Declaration of Principles**

THE SOCIALIST PARTY OF GREAT BRITAIN HOLDS:

1. That society as at present constituted is based upon the ownership of the means of living (ie land, factories, railways, etc.) by the capitalist or master class, and the consequent enslavement of the working class, by whose labour alone wealth is produced.
2. That in society, therefore, there is an antagonism of interests, manifesting itself as a class struggle, between those who possess but do not produce and those who produce but do not possess.
3. That this antagonism can be abolished only by the emancipation of the working class from the domination of the master class, by the conversion into common property of society of the means of production and distribution, and their democratic control by the whole people.
4. That as in the order of social evolution the working class is the last class to achieve its freedom, the emancipation of the working class will involve the emancipation of all mankind without distinction of race or sex.
5. That this emancipation must be the work of the working class itself.
6. That as the machinery of government, including the armed forces of the nation, exists only to conserve the monopoly by the capitalist class of the wealth taken from the workers, the working class must organise consciously and politically for the conquest of the powers of government, national and local, in order that this machinery, including these forces, may be converted from an instrument of oppression into the agent of emancipation and the overthrow of privilege, aristocratic and plutocratic.
7. That as all political parties are but the expression of class interests, and as the interest of the working class is diametrically opposed to the interests of all sections of the master class, the party seeking working class emancipation must be hostile to every other party.
8. The Socialist Party of Great Britain, therefore, enters the field of political action determined to wage war against all other political parties, whether alleged labour or avowedly capitalist, and calls upon the members of the working class of this country to muster under its banner to the end that a speedy termination may be wrought to the system which deprives them of the fruits of their labour, and that poverty may give place to comfort, privilege to equality, and slavery to freedom.

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